Rising Imports Impact on Economy

Manufacturing Contracts But Services Expand

A flood of imports hit the United States in the first quarter, holding down growth in real gross national product to a surprisingly low 0.7 percent. But most economists believe that, without some unexpected shock to the economy, the growth rate will rebound somewhat in the second quarter.

The rise in imports primarily affected the manufacturing sector; the service sector continued to grow at a healthy pace. This pattern was quite evident in Pennsylvania. By March, employment in manufacturing industries in the state was 2.2 percent lower than one year earlier while employment in service industries had grown 4.6 percent.

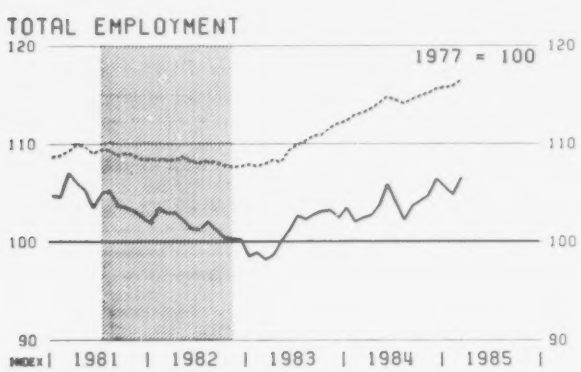
Pennsylvania industries hurt the most by imports include durable goods industries, such as steel, and nondurable goods industries, such as apparel and textile products. Durable goods are items intended to last more than three years while nondurable goods are items intended to last three years or less.

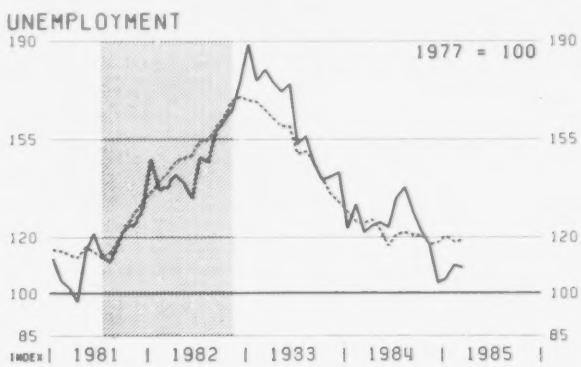
Employment in the state's durable goods factories ended a third quarter of losses in March, after gaining ground in the latter half of 1983 and the first half of 1984. The seasonally adjusted number of jobs in these industries in March was less than three-fourths the level prevailing in 1979, the year before the two most recent recessions.

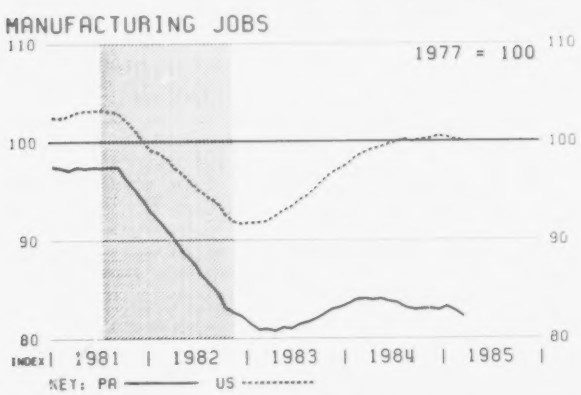
At the same time, the job level in the state's nondurable goods factories dropped to a new low — more than 12 percent below the 1979 average.

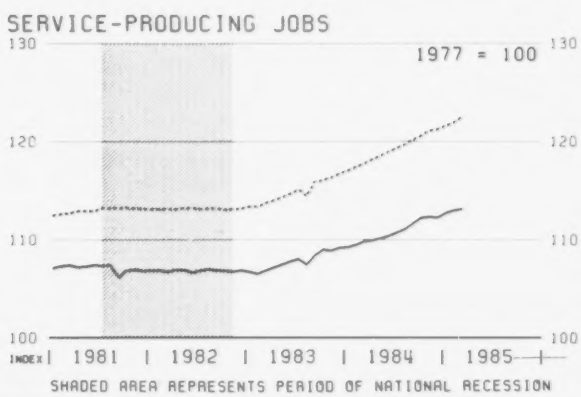
The increase in service employment in March brought the seasonally adjusted job level in this industry group to a new high. Other sectors with employment gains from March to March were the finance, insurance and real estate industry group, which also registered an all-time high; retail and wholesale trade; transportation and public utilities; construction industries; and the federal government.

Besides manufacturing industries, only the mining sector had fewer jobs in March than one year earlier.









PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **May 1985**

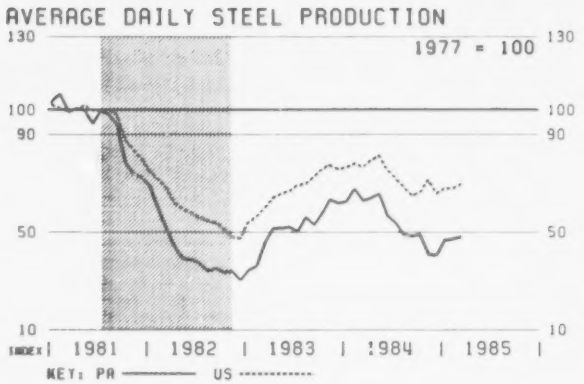
The production of both anthracite and bituminous coal are at historically low levels.

In contrast to manufacturing and mining, employment in construction industries — the third major industry group in the goods-producing sector — was at its highest level in five years. Exceptionally warm weather in March helped boost the seasonally adjusted number of construction jobs up 5 percent from February's level.

The short-term outlook for the construction industry group in Pennsylvania remained bright. The value of construction contracts for residential buildings awarded in the first quarter was 22 percent higher than the value in the same quarter of last year.

Awards for nonbuilding structures also advanced. After low levels in January and February, the value of these awards surged in March, bringing the first quarter level 4.5 percent above last year's first-quarter figure.

Only the nonresidential building category registered a drop. The first-quarter value of these awards was down



4 percent from a year ago, showing signs of a slowing in the commercial building boom.

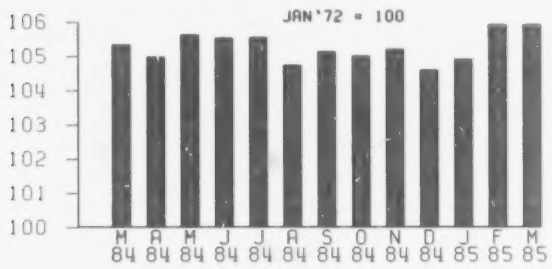
Gains in the construction industries and the service-producing sector brought total employment of Pennsylvania residents up a seasonally adjusted 1.6

Economic Activity in Pennsylvania	1985 Feb.	1985 Mar.	1984 Mar.	Seasonally Adjusted Indexes (1977 = 100) 1985 Feb.	1985 Mar.	1984 Mar.
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)[1]	4,629.*	4,664.	4,568.	103.3	103.4	101.2
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,531.*	3,568.	3,447.	111.9*	112.2	108.4
Manufacturing						
No. of wage and salaried jobs (thous.)	1,096.*	1,093.	1,117.	82.8*	82.2	84.0
Ave. wkly. hrs. worked by prod. workers	39.6	39.8	40.1	101.0	100.6	101.2
Total wkly. person-hours worked (mils.)	29.7	29.7	30.9	78.9	78.0	81.1
Total wkly. payroll (mil. dols.)	283.2*	283.2	284.9	128.2*	126.9	127.6
Steel production (thous. tons)	1007.*	1,240.	1,619.	47.*	48.	63.
Industrial electric power sales (mil. kwh)	3,653.	3,580.	3,771.	99.	94.	100.
Mining						
Anthracite coal (thous. net tons)	295.	348.	278.	73.	69.	53.
Bituminous coal (thous. net tons)	4,662.	n.a.	6,149.†	71.	n.a.	90.†
Construction contracts awarded (mil. dols.)						
Total	316.0	582.8	491.0*	200.	187.	158.*
Residential building	138.1	250.1	217.3*	239.	213.	176.*
Other building	130.4	157.4	174.7*	226.	136.	152.*
Nonbuilding (utilities and public works)	47.4	175.2	98.8*	86.	212.	130.*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,883.	4,958.	4,771.	104.8	106.5	102.4
Unemployed						
No. of persons (thous.)	501.	456.	506.	110.0	109.1	121.7
Rate (percentage of labor force)	9.3	8.4	9.6			
Rate, seasonally adjusted	8.2	7.9	9.1			
Civilian labor force, no. of persons (thous.)	5,384.	5,414.	5,277.	105.2	106.7	103.9
Initial claims for unemployment benefits	113,932.	102,748.	100,483.	92.1	87.6	83.9

Consumer Prices, all items	Urban Indexes (1967 = 100) 1985 Feb.	1985 Mar.	1984 Mar.	Percentage Change Month Ago	Year Ago
U.S. city average	317.4	318.8	307.3	+0.4	+3.7
Philadelphia	309.2	310.4	296.7	+0.4	+4.6
Pittsburgh	323.8	n.a.	315.5†	n.a.	+2.6
Northeast PA	n.a.	304.9	293.0	n.a.	+4.1

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for February 1984 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS



percent in March. The seasonally adjusted index rose to a level exceeded only by the level in March of 1981.

Accompanying the employment rise was a decline in the number of residents counted as unemployed and a rise in the number of residents participating in the labor force. These two changes brought the seasonally adjusted unemployment rate for March down to 7.9 percent from 8.2 percent in February.

Other economic indicators for Pennsylvania emphasize the sluggishness in the state's manufacturing industries.

* Total payrolls and hours worked in the state's factories were unchanged in March from a month earlier, but both measures were below figures for March 1984. In addition, because slight increases in these measures typically occur from February to March, the seasonally adjusted indexes declined.

* In March, a seasonally adjusted 1.8 percent increase in the average daily production of steel in the state brought Pennsylvania's share of total national production up to 15 percent from 14.8 percent in the previous month. But Pennsylvania continued to produce at levels only 44 percent of those prevailing in the state in 1979 while the nation operated at a somewhat higher 63.8 percent.

* The sales of electrical power to industrial users slipped 4.4 percent in March after seasonal adjustment and was 5.6 percent below the level of sales in March of 1984.

The rise in imports has worked to dampen not only employment but also inflation. Domestic firms must keep their prices down to compete against import prices lowered by the strong dollar.

Although consumer prices picked up speed in March, the rise was caused by a sharp increase in gasoline prices, which many analysts believe is temporary. The consumer price index rose 4.6 percent from March to March in the Philadelphia area, 4.1 percent from March to March in the Scranton-Wilkes-Barre area, and 2.6 percent from February to February in the harder hit Pittsburgh area. The U.S. city average showed a 3.7 percent increase from March to March.

No change in the current sluggish pace of economic growth is expected in the near future. The composite index of leading indicators for the state's economy was unchanged in March. Leading indicators are measures of economic activity that usually reach peaks and troughs of business cycles before total business does.

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
March 1984	105.3	87.6	-0.3	-0.9
April	105.0	88.5	-0.3	+1.0
May	105.6	88.9	+0.6	+0.4
June	105.5	89.6	-0.1	+0.7
July	105.5	88.7	0.0	-1.0
August	104.7	87.9	-0.8	-0.9
September	105.1	88.4	0.4	0.6
October	105.0	88.5	-0.1	0.1
November	105.2	88.6	0.2	0.1
December	104.6	88.8	-0.6	0.2
January 1985	104.9	88.3	0.3	0.6
February	105.8	88.0	0.9	-0.3
March	105.8	88.2	0.0	0.2

The positive influence on the index of the increase in the value of construction awards for residential buildings and the decline in new claims for unemployment compensation were offset by a decline in the average length of the factory workweek.

Pennsylvania's composite index of coincident indicators rose only 0.2 percent in March. Coincident indicators generally move in the same direction and at the same time as total economic activity.

— *Norma I. Gavin*

PENNSYLVANIA BUSINESS SURVEY

May 1985 Vol. 26, No. 5

Published monthly by the Center for Research of the College of Business Administration, 103 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $6.00 a year. (ISSN 0031-4382)

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Around the State

In this issue, we change our data reporting and analyses in *Around the State* to fit the definitions of metropolitan areas as revised by the U.S. Office of Management and Budget in June 1983. At that time, the term Standard Metropolitan Statistical Area (SMSA) was shortened to Metropolitan Statistical Area (MSA). In addition, if an area had more than 1 million population and met certain other specified requirements, it was designated a Consolidated Metropolitan Statistical Area (CMSA), consisting of major components recognized as Primary Metropolitan Statistical Areas (PMSA). A total of 257 MSAs, plus 23 CMSAs composed of 78 PMSAs, are recognized nationally.

Under the new classification, Pennsylvania has 12 MSAs and three PMSAs in two CMSAs. Beaver County was separated from the four-county Pittsburgh SMSA to form the Beaver County PMSA, and Fayette County was added to the remaining three counties to form the Pittsburgh PMSA. These two PMSAs comprise the Pittsburgh-Beaver Valley CMSA. The five Pennsylvania counties and three New Jersey counties that composed the Philadelphia SMSA were reclassified as the Philadelphia PMSA in the Philadelphia-Wilmington-Trenton CMSA.

The definitions of the 12 Pennsylvania MSAs coincide with those of the other 12 SMSAs, with the following exceptions: Lebanon County was added to the Harrisburg SMSA to form the Harrisburg-Lebanon-Carlisle MSA; Columbia and Wyoming Counties were added to the Northeast SMSA, which is now called the Scranton-Wilkes-Barre MSA; and the name of the Allentown-Bethlehem-Easton SMSA was shortened to the Allentown-Bethlehem MSA.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The Harrisburg-Lebanon-Carlisle area enjoyed record employment levels in the first quarter of the year, but its manufacturing sector was in the midst of another downturn.

The seasonally adjusted number of manufacturing jobs in the area fell 1.5 percent in the first quarter of 1985, after falling 0.9 percent in the previous quarter. The recent downturn follows six quarters of improvement in the factory job level measured against the recession low in the first quarter of 1983.

On the other hand, employment in the area's nonmanufacturing industries continued on an upward trend without interruption. Last quarter, the seasonally adjusted job level in these industries rose 0.9 percent from the previous quarter to a new record high that was 4.2 percent higher than the record level in the first quarter of last year.

Total resident employment was also at a seasonally adjusted all-time high in the first quarter while the seasonally adjusted unemployment rate was up 0.1 of a percentage point to 5.4 percent of the labor force.

Sales of electricity to industrial users reflected the slowdown in the area's factories. The seasonally adjusted level of sales fell another 1.9 percent in the first quarter.

Not only were there fewer factory workers in the first quarter, but they were also working fewer hours. The average length of the workweek fell in both durable and nondurable goods factories.

The value of contracts for future construction awarded in the first quarter also reflected a weakening in the area's economy. While the value of contracts for residential buildings was up a slight 3 percent from the value in the first quarter of last year, the value of contracts for commercial and industrial buildings was down 23 percent.

Lancaster

The Lancaster area economy continued to show exceptional strength in the first quarter. The area's seasonally adjusted unemployment rate, the lowest among Pennsylvania's major metropolitan areas, was at a six-year low of 4.2 percent.

Total resident employment, after adjustment for regular seasonal variation, rose 1 percent in the first quarter to a new record high and was 4.5 percent higher than the level in the first quarter of last year.

Job gains were concentrated in the nonmanufacturing sector. The seasonally adjusted job level in these industries was at an all-time high, after rising 1.1 percent last quarter.

Although there were no net job gains over the quarter in the manufacturing sector, there were no net losses either. The seasonally adjusted factory job level was unchanged from the previous quarter.

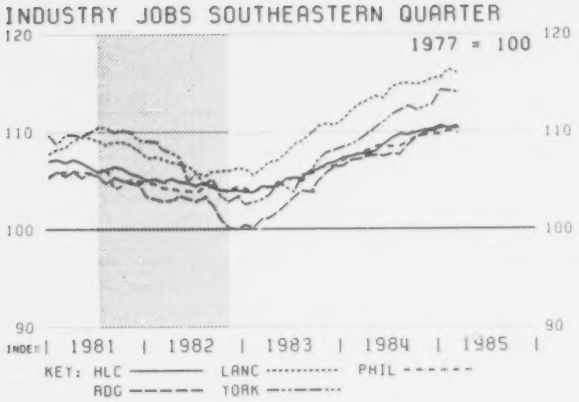
The average length of the factory workweek was also unchanged after seasonal adjustment but was down from the level of a year earlier. The decline came from

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '85	*1 Q '85*	*4 Q '84*	*1 Q '84*
Employment *(in thousands)*				
Employed, no. of residents	287.3	114.	113.	110.
Unemployed, no. of residents	19.0	108.	106.	115.
Rate, seasonally adjusted	5.4			
Civilian labor force, no. of residents	306.3	114.	113.	110.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	267.8	110.	110.	108.
Nonmfg. only, no. of jobs	215.9	114.	114.	110.
Mfg. only, no. of jobs	51.9	96.	98.	99.
Hrs. worked by production workers in mfg., *ave. weekly*	39.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	75.	77.	93.

Construction contracts awarded *(in millions of dollars)*	Total *1 Q '85*	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	27.6	– 20.	+ 3.
Nonresidential contracts only	25.1	– 47.	– 23.

[1]Cumberland, Dauphin, Lebanon, and Perry Counties



durable goods factories. Production workers in durable goods factories averaged 1.9 hours less a week in the first quarter of this year compared to last year while workers in nondurable goods factories worked an average 0.3 of an hour longer.

Confirmation of the economic expansion in the area came from sales of electricity to industrial users. The seasonally adjusted level of sales was up 2.2 percent last quarter, registering a new record high.

Indicators for the area's construction industries were mixed in the first quarter. The value of awards for residential building construction was 21 percent higher than the level one year earlier while the value of awards for nonresidential building construction was 24 percent below the year-earlier figure.

Philadelphia

The Philadelphia metropolitan area, the workplace of one-third of employed Pennsylvanians, continued to experience widespread economic expansion in the first quarter. Total resident employment rose another seasonally adjusted 0.5 percent, recording yet another new all-time high, and unemployment dropped to its lowest level in more than 10 years.

A less than seasonal drop in the number of area residents participating in the labor force, coupled with a less than seasonal increase in the number of residents counted as unemployed, brought the seasonally adjusted jobless rate down to 6.0 percent in the first quarter. This compares to a quarterly average unemployment rate of 7.3 percent in the nation and 8.0 percent in Pennsylvania.

In contrast to most other metropolitan areas in the state, the Philadelphia area did not experience a drop in the seasonally adjusted number of factory jobs last quarter. Philadelphia's index for this measure has shown a positive, though small, upward trend since the second quarter of 1983. Nevertheless, there were more than 12 percent fewer manufacturing jobs in the area last quarter compared to the average number of factory jobs prevailing in 1979, the year before the two most recent recessions.

The average number of hours worked by production workers in the area's factories declined in the first quarter from the previous quarter but was slightly higher than one year earlier. This indicator reflects changes in the pressure on employers to hire new workers in the following months and therefore is considered a leading employment indicator. For the Philadelphia area, the measure suggests that there was no added pressure on businesses to speed up the hiring of new workers.

The seasonally adjusted number of jobs in the area's nonmanufacturing sector rose a slight 0.2 percent in the first quarter but registered another new record high.

Industrial electric power sales reflect no unusual increases in industrial output. The seasonally adjusted index for this measure has hovered around its 1977 average for the last seven quarters.

The value of awards for residential building construction contracts was 28 percent higher in the first quarter of the year compared to the value in the same quarter last year, but the value of nonresidential building awards slipped 7 percent.

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '85	*1 Q '85*	*4 Q '84*	*1 Q '84*
Employment *(in thousands)*				
Employed, no. of residents	180.7	119	118	114
Unemployed, no. of residents	10.0	102	107	106
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	190.8	118	118	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	160.5	116	115	112
Nonmfg. only, no. of jobs	103.3	125	124	119
Mfg. only, no. of jobs	57.1	102	102	102
Hrs. worked by production workers in mfg., *ave. weekly*	39.4	100	100	102
Industrial electric power sales	***	124	121	120

Construction contracts awarded *(in millions of dollars)*	Total *1 Q '85*	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	32.2	– 13	+21
Nonresidential contracts only	5.5	– 86	–24

[1]Lancaster County

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '85	*1 Q '85*	*4 Q '84*	*1 Q '84*
Employment *(in thousands)*				
Employed, no. of residents	2078.6	112	112	110
Unemployed, no. of residents	140.5	77	80	89
Rate, seasonally adjusted	6.0			
Civilian labor force, no. of residents	2219.2	109	109	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	1986.4	110	110	107
Nonmfg. only, no. of jobs	1589.1	116	116	114
Mfg. only, no. of jobs	396.9	89	89	88
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	101	102	101
Industrial electric power sales	***	99	99	100

Construction contracts awarded *(in millions of dollars)*	Total *1 Q '85*	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	234.7	– 9	+28
Nonresidential contracts only	218.8	– 46	– 7

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading

Despite recent setbacks in the manufacturing sector, most economic indicators for the Reading metropolitan area showed a robust economy in the first quarter; many indicators registered all-time highs.

The seasonally adjusted factory job level slipped 0.4 percent last quarter from the previous quarter and was 0.9 percent below the level of a year earlier. The recent slippage in manufacturing employment, which began in the second quarter of 1984, follows a healthy-paced, though incomplete, recovery from the 1981-82 recession. During the first five quarters of the recovery, the Reading area economy regained 86 percent of the 6,900 factory jobs estimated from seasonally adjusted data as lost during the recession. Since April of last year, 1,100 jobs have been dropped from factory payrolls, leaving the seasonally adjusted total factory job level at the end of the first quarter 4 percent below the pre-recession peak in July of 1981.

At the same time, Reading's nonmanufacturing sector continued to expand without interruption. The seasonally adjusted job level in these industries rose another 1 percent in the first quarter and registered a new all-time high, which was 5.6 percent greater than the record level reached one year earlier.

Total resident employment was also at a new record high in the first quarter. The 0.8 percent increase in the seasonally adjusted level of total employment brought the accompanying jobless rate down to 6.3 percent — its lowest level since the third quarter of 1979.

Increased industrial activity was also reflected in the level of industrial electric power sales. Seasonally adjusted sales to area industries rose 0.3 percent over the quarter to a new record level.

Awards for future construction projects in the Reading area continued strong in the first quarter of this year. The value of residential building awards was 82 percent higher than last year's first-quarter value. Furthermore, although the value of nonresidential building awards was only about half the level of a year ago, last year was an exceptionally good year and this year's value was high relative to years prior to 1984.

No improvement in factory employment was predicted from the average length of the factory workweek, a leading employment indicator. This measure was unchanged from a quarter earlier in nondurable goods factories and down slightly in durable goods factories.

York

From the first quarter of last year to the first quarter of this year, the pace of nonfarm industry job growth in the York area outstripped the pace in all other metropolitan areas in Pennsylvania.

The actual number of jobs gained over the year is smaller in York than in areas such as Philadelphia with a labor market 10 times the size of York's. But in terms of percentage gains in the total industry job level, York's 5 percent increase outpaces all other metropolitan areas.

Total resident employment rose a seasonally adjusted 1.2 percent in the York area last quarter, registering a new quarterly high and an increase of 5.8 percent over the employment level in the first quarter of 1984.

At the same time, the seasonally adjusted unemployment rate fell to 6.7 percent, its lowest level since the second quarter of 1980.

The first quarter marked gains of 1.2 percent in the seasonally adjusted factory job level and 1.7 percent in the nonmanufacturing industry job level. While the number of factory jobs remained well below pre-recession levels, the steady, steep rise in nonmanufacturing employment, measured as 6.6 percent from first quarter to first quarter, brings employment in the area to an all-time high.

Factory job growth may slow in the next few months. The seasonally adjusted average length of the factory

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '85	*1 Q '85*	*4 Q '84*	*1 Q '84*
Employment *(in thousands)*				
Employed, no. of residents	151.7	115.	114.	110.
Unemployed, no. of residents	12.1	115.	125.	120.
Rate, seasonally adjusted	6.3			
Civilian labor force, no. of residents	163.8	115.	115.	111.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	143.7	110.	110.	107.
Nonmfg. only, no. of jobs	91.3	115.	114.	109.
Mfg. only, no. of jobs	52.3	103.	104.	104.
Hrs. worked by production workers in mfg., *ave. weekly*	40.4	104.	103.	106.
Industrial electric power sales	***	129.	128.	128.

Construction contracts awarded *(in millions of dollars)*	Total *1 Q '85*	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	17.1	– 25.	+82.
Nonresidential contracts only	10.9	– 10.	–48.

[1]Berks County

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '85	*1 Q '85*	*4 Q '84*	*1 Q '84*
Employment *(in thousands)*				
Employed, no. of residents	169.2	118.	117.	112.
Unemployed, no. of residents	14.6	127.	131.	155.
Rate, seasonally adjusted	6.7			
Civilian labor force, no. of residents	183.8	118.	117.	114.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	159.3	114.	113.	109.
Nonmfg. only, no. of jobs	99.8	124.	122.	116.
Mfg. only, no. of jobs	59.6	101.	100.	99.
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	100.	100.	102.
Industrial electric power sales	***	104.	103.	100.

Construction contracts awarded *(in millions of dollars)*	Total *1 Q '85*	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	19.6	– 17.	+17.
Nonresidential contracts only	7.5	– 26.	–16.

[1]Adams and York Counties

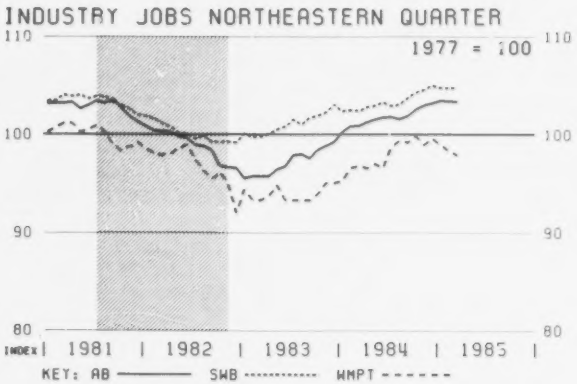
workweek has been declining over the past year, thereby relieving pressure on factory employers to hire new workers.

Sales of electricity to industrial users, an indicator of short-run changes in industrial output, rose 1.1 percent in the first quarter after seasonal adjustment and was 3.9 percent higher than the level of sales one year earlier.

The pace of awards for future commercial and industrial building construction dropped in the first quarter. The value of nonresidential building awards was 16 percent below the level in the first three months of last year.

On the other hand, the value of residential building awards gained a moderate 17 percent in the first quarter over the value in the same quarter of last year.

Northeastern Quarter



Allentown-Bethlehem

First quarter marked the eighth consecutive quarter of job gains in the Allentown-Bethlehem metropolitan area. The total industry job level rose a seasonally adjusted 0.5 percent from the previous quarter and was 2.7 percent higher than the level in the first quarter of 1984.

The gains last quarter came solely from the nonmanufacturing sector. The seasonally adjusted job level in the area's factories was unchanged from a quarter earlier while the nonmanufacturing job level rose a seasonally adjusted 0.7 percent, marking the seventh quarter in a row that a new record employment level was registered for these industries.

Total resident employment was also at a seasonally adjusted all-time high in the first quarter, and the seasonally adjusted jobless rate fell to 7.5 percent — its lowest level since the final quarter of 1980.

The factory job level may continue at the same level for the next few months. After adjustment for regular seasonal variation, the average length of the factory workweek, a leading indicator of employment changes, was unchanged from both a quarter earlier and the same quarter a year earlier.

Sales of electricity to industrial users gained a seasonally adjusted 1 percent over the quarter and 5.2 percent over the year. In the first quarter of this year, the index stood at its highest level in five years. Within the metropolitan area, the largest gains in electric power sales were in the city of Allentown.

Construction activity picked up only moderately from levels of a year ago. The value of awards for future construction of residential buildings was 16 percent ahead of the value in the first quarter of last year while awards for nonresidential building construction advanced 13 percent.

Scranton-Wilkes-Barre

The economy of the Scranton-Wilkes-Barre area saw few gains in the first quarter of the year. Total resident employment slipped 0.3 percent after seasonal adjustment, and the seasonally adjusted jobless rate fell 0.1 of a percentage point from the previous quarter. Neither of these movements were statistically significant and therefore suggest that there were no changes in overall employment conditions.

However, the composition of the area's work force continued to shift away from manufacturing industries. The seasonally adjusted factory job level slipped 1.4 percent last quarter while the job level in nonmanufacturing industries rose 0.8 percent, registering a new record high.

Industrial electric power sales showed no change in the overall level of industrial activity in the area last quarter. The seasonally adjusted index for this measure was unchanged from the level in the fourth quarter of 1984 and was 1 percent below 1984's first-quarter level.

Production workers in the area's factories were putting in about the same level of effort last quarter as in the previous quarter. The average length of the factory workweek slipped only 0.1 of an hour over the quarter

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '85	*1 Q '85*	*4 Q '84*	*1 Q '84*
Employment *(in thousands)*				
Employed, no. of residents	283.5	106.	106.	103.
Unemployed, no. of residents	26.3	113.	125.	123.
Rate, seasonally adjusted	7.5			
Civilian labor force, no. of residents	309.8	107.	107.	104.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	261.2	103.	103.	101.
Nonmfg. only, no. of jobs	171.5	118.	117.	113.
Mfg. only, no. of jobs	89.5	84.	84.	84.
Hrs. worked by production workers in mfg., *ave. weekly*	38.9	102.	102.	102.
Industrial electric power sales				
Metropolitan area	***	109.	108.	104.
Allentown	***	111.	102.	99.
Bethlehem	***	111.	114.	109.
Easton	***	98.	102.	100.

Construction contracts awarded *(in millions of dollars)*	Total *1 Q '85*	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	38.6	– 19.	+ 16.
Nonresidential contracts only	20.4	– 87.	+ 13.

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

and was up only 0.2 of an hour over the year.

The outlook for the area's construction industries was mixed last quarter. While the value of awards for residential building construction was up one-third from the value in the same quarter of last year, awards for nonresidential building construction fell in value by 13 percent of their year-earlier level.

Williamsport

The first quarter marked a setback in the Williamsport area economic recovery. Employment levels declined, factory workweeks shortened and electrical power sales nose-dived.

Job levels fell in both manufacturing and nonmanufacturing industries. The seasonally adjusted factory job level was down 1.3 percent from the previous quarter, registering its first drop since the third quarter of 1983.

The reduced factory work force was also working fewer hours last quarter. The average length of the workweek in durable goods factories was only 0.1 of an hour less than in the previous quarter, but in nondurable goods factories, it was 0.8 of an hour shorter.

After adjustment for regular seasonal variation, the job level in the area's nonmanufacturing industries declined 0.7 percent over the quarter but was 1.7 percent higher than the level of a year earlier. Although employment in this sector had recouped losses suffered during the 1980 and 1981-82 recessions, it had not expanded beyond pre-recession levels.

Total resident employment also remained below pre-recession levels and dropped a seasonally adjusted 1.1 percent last quarter. But because of a concurrent decline in the number of residents participating in the labor force, the seasonally adjusted unemployment rate also fell. At 9.5 percent in the first quarter, the jobless rate for Williamsport was at its lowest level since the third quarter of 1979.

Sales of electricity to industrial users in the area plunged a seasonally adjusted 21.8 percent in the first quarter after peaking at an all-time high in October of last year.

The area's construction industry picked up in the first quarter. The value of nonresidential building awards surged while residential building awards registered a moderate 22 percent gain in value over the same quarter of last year.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '85	*1 Q '85*	*4 Q '84*	*1 Q '84*
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	300.6	108	108	105
Lackawanna County[2]	93.2	109	108	105
Luzerne County[3]	140.5	109	108	105
Unemployed, no. of residents				
Metropolitan area	35.0	102	102	111
Rate, seasonally adjusted	9.5			
Lackawanna County[2]	9.4	86	86	99
Luzerne County[3]	17.7	113	116	118
Civilian labor force, no. of residents				
Metropolitan area	335.6	108	108	105
Lackawanna County[2]	102.6	106	106	105
Luzerne County[3]	158.2	109	109	107
Local industries Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	268.0	105	105	102
Nonmfg. only, no. of jobs	193.2	112	111	108
Mfg. only, no. of jobs	74.5	90	92	92
Hrs. worked by production workers in mfg., *ave. weekly*	38.2	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	102	102	103
Lackawanna County[2]	***	107	106	102
Luzerne County[3]	***	94	96	100
Hazleton	***	90	88	90
Wilkes-Barre	***	89	100	106

Construction contracts awarded *(in millions of dollars)*	Total *1 Q '85*	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	28.8	– 30	+33
Nonresidential contracts only	11.8	– 69	– 13

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

Northwestern Quarter

Erie

The first quarter marked further employment gains for the Erie metropolitan area economy, which continued its slow, but steady, recovery from the recent recessions.

Erie's percentage increase in factory employment from first quarter to first quarter was the largest among the major metropolitan areas in the state. But these gains must be interpreted against the area's severe losses during the 1980 and 1981-82 recessions. In the first quarter of this year, the seasonally adjusted factory job level remained more than 17 percent below the average level prevailing in 1979.

In contrast, a new record level of employment was registered in Erie's nonmanufacturing sector. The seasonally adjusted job level in these industries rose 1 percent from a quarter earlier and 4 percent from the first quarter a year ago.

Gains in the manufacturing and nonmanufacturing

Williamsport Area[1]

	Ave. mo. value 1 Q '85	Average monthly index seas. adj. (1977 = 100) 1 Q '85	4 Q '84	1 Q '84
Employment *(in thousands)*				
Employed, no. of residents	45.2	102.	102.	98.
Unemployed, no. of residents	5.7	109.	111.	132.
Rate, seasonally adjusted	9.5			
Civilian labor force, no. of residents	50.9	102.	103.	101.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	44.3	98.	100.	96.
Nonmfg. only, no. of jobs	29.4	106.	107.	104.
Mfg. only, no. of jobs	14.9	86.	87.	83.
Hrs. worked by production workers in mfg., *ave. weekly*	38.5	99.	100.	102.
Industrial electric power sales	***	85.	109.	98.

Construction contracts awarded *(in millions of dollars)*	Total 1 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	2.2	– 15.	+22.
Nonresidential contracts only	5.6	+ 70.	+ +

[1]Lycoming County

sectors in the first quarter together brought the seasonally adjusted level of total resident employment in Erie up 4.4 percent from a year ago and the seasonally adjusted jobless rate down to 8.6 percent — its lowest level in five years.

The average length of the factory workweek dropped 0.8 of an hour in Erie last quarter. But all of the decline can be explained by regular seasonal variation and therefore reflects no change in incentives for employers to hire new laborers.

Seasonally adjusted sales of electricity to industrial users, a measure of short-run changes in industrial output, slipped 0.8 percent in the first quarter, after falling 2.3 percent in the final quarter of last year. These two declines were due to a dip in December and January. Sales have increased since then but have not exceeded previously recorded levels.

Erie's commercial and industrial building boom of the last year and a half may be slowing. Last quarter the value of awards for nonresidential building construction was only half of the value registered one year earlier. On the other hand, the value of awards for residential building construction advanced 65 percent over the year.

Erie Area[1]

	Ave. mo. value 1 Q '85	Average monthly index seas. adj. (1977 = 100) 1 Q '85	4 Q '84	1 Q '84
Employment *(in thousands)*				
Employed, no. of residents	110.2	104.	102.	99.
Unemployed, no. of residents	12.0	118.	121.	144.
Rate, seasonally adjusted	8.6			
Civilian labor force, no. of residents	122.2	105.	104.	103.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	107.8	100.	99.	96.
Nonmfg. only, no. of jobs	71.3	108.	107.	104.
Mfg. only, no. of jobs	36.6	86.	86.	83.
Hrs. worked by production workers in mfg., *ave. weekly*	41.8	102.	102.	101.
Industrial electric power sales	***	94.	95.	86.

Construction contracts awarded *(in millions of dollars)*	Total 1 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	8.9	– 29.	+65.
Nonresidential contracts only	5.1	– 40.	–47.

[1]Erie County

Sharon

The Sharon area economy remained depressed in the first quarter of the year. The seasonally adjusted factory job level fell 4.6 percent from the previous quarter to a new low in March — less than 60 percent of the level prevailing in 1979, the year before the two most recent recessions.

In the area's nonmanufacturing sector, the seasonally adjusted job level also remained below pre-recession levels, but no further deterioration took place in the first quarter of this year.

Total resident employment fell 0.5 percent in Sharon after seasonal adjustment but was 1.9 percent higher than in the first quarter of 1984. The first-quarter decline in employment was accompanied by a drop in the number of residents participating in the labor force. As a result, the seasonally adjusted unemployment rate fell to 10.2 percent from 11.2 percent in the final quarter of 1984, giving the false impression of improved labor market conditions.

In the first quarter of this year, Sharon's civilian labor force was at its lowest level in the 11 years that these data have been recorded.

Sales of electricity to industrial users in Sharon did not loose any further ground in the first quarter. The seasonally adjusted level of sales rose a small 0.6 percent from a quarter earlier but stood 3.4 percent below the year-earlier figure.

Despite Sharon's continued poor economic performance, businesses are investing in the area's future. The value of construction contracts awarded in the first quarter for commercial and industrial buildings rose 36 percent from the value of a year ago while residential building awards surged 88 percent ahead of last year's figure.

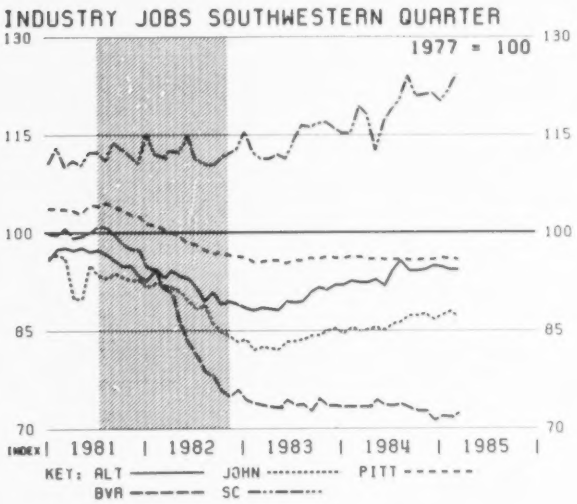
Sharon Area[1]

	Ave. mo. value 1 Q '85	Average monthly index seas. adj. (1977 = 100) 1 Q '85	4 Q '84	1 Q '84
Employment *(in thousands)*				
Employed, no. of residents	42.6	91.	92.	90.
Unemployed, no. of residents	5.6	124.	138.	169.
Rate, seasonally adjusted	10.2			
Civilian labor force, no. of residents	48.2	94.	96.	96.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	39.0	88.	88.	87.
Nonmfg. only, no. of jobs	28.8	101.	101.	101.
Mfg. only, no. of jobs	10.2	63.	66.	63.
Industrial electric power sales	***	107.	106.	110.

Construction contracts awarded *(in millions of dollars)*	Total 1 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	4.5	+ 36.	+88.
Nonresidential contracts only	7.9	+ +	+36.

[1]Mercer County

Southwestern Quarter



Altoona

Little progress was made toward economic recovery in the Altoona area last quarter. The slight 0.3 percent increase in the seasonally adjusted nonmanufacturing job level was offset by a 0.9 percent decline in the seasonally adjusted number of factory jobs, leaving the total nonfarm industry job level unchanged from the previous quarter.

Despite last quarter's poor performance, some improvement in employment conditions was registered over the year. Manufacturing employment was up 1.8 percent from the first quarter of 1984 while nonmanufacturing employment rose 2.2 percent over the year. Nevertheless, employment in both sectors remained well below pre-recession levels.

The decline in the seasonally adjusted factory job level last quarter, the first drop since the third quarter of 1983, may be followed by another decline this quarter.

The average length of the factory workweek, a leading employment indicator, fell last quarter, reducing pressure on employers to hire new workers.

Sales of electricity to industries in the Altoona area fell a small, seasonally adjusted 0.6 percent in the first quarter, reflecting little change in industrial output.

Total resident employment also showed little change with a slight 0.2 percent increase last quarter. But this small change and a concurrent slight decline in the size of the labor force was enough to bring the seasonally adjusted unemployment rate down to 9.4 percent — its lowest level in five years.

While awards for future commercial and industrial building construction in the Altoona area fell back in the first quarter, housing awards advanced. The value of nonresidential building contracts was down 23 percent from the first-quarter level of 1984; the value of residential building contracts was up 69 percent.

Johnstown

Modest improvement marked the Johnstown area economy in the first quarter. Employment in nonmanufacturing industries edged up after seasonal adjustment while indicators for the manufacturing sector were mixed.

The seasonally adjusted nonmanufacturing job level rose a small 0.6 percent last quarter from the previous quarter and was 3.7 percent above the level in the first quarter of last year. The job level was the highest since the second quarter of 1982 but remained almost 9 percent below the peak levels of 1979.

Johnstown's factory job level slipped slightly in the first quarter and remained more than 38 percent below the 1979 average. However, production workers in the area's durable goods factories were putting in longer hours. The average length of the workweek rose 1.4 hours in these factories. The workweek in nondurable goods factories was essentially unchanged from the previous quarter.

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q. '85	*1 Q. '85*	*4 Q. '84*	*1 Q. '84*
Employment *(in thousands)*				
Employed, no. of residents	48.7	98	98	95
Unemployed, no. of residents	6.1	130	135	164
Rate, seasonally adjusted	9.4			
Civilian labor force, no. of residents	54.7	100	101	100
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	47.0	94	94	92
Nonmfg. only, no. of jobs	35.9	97	97	95
Mfg. only, no. of jobs	11.1	87	87	84
Hrs. worked by production workers in mfg., *ave. weekly*	38.0	101	104	102
Industrial electric power sales	***	82	82	84

		Percentage Change	
Construction contracts awarded *(in millions of dollars)*	Total *1 Q. '85*	*Quarter Ago*	*Year Ago*
Residential contracts only	4.4	+ 38	+ 69
Nonresidential contracts only	3.0	− 79	− 23

[1]Blair County

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q. '85	*1 Q. '85*	*4 Q. '84*	*1 Q. '84*
Employment *(in thousands)*				
Employed, no. of residents	85.1	90	90	88
Unemployed, no. of residents	13.9	113	131	134
Rate, seasonally adjusted	12.1			
Civilian labor force, no. of residents	99.0	93	94	92
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	75.0	87	87	85
Nonmfg. only, no. of jobs	62.8	97	96	93
Mfg. only, no. of jobs	12.1	59	59	60
Hrs. worked by production workers in mfg., *ave. weekly*	37.1	95	94	98
Industrial electric power sales	***	131	140	132

		Percentage Change	
Construction contracts awarded *(in millions of dollars)*	Total *1 Q. '85*	*Quarter Ago*	*Year Ago*
Residential contracts only	7.8	− 9	− 33
Nonresidential contracts only	5.7	+ 128	+ 111

[1]Cambria and Somerset Counties

Industrial electric power sales rose in the first quarter, but the seasonally adjusted index shows the increase to be less than the expected seasonal rise. However, the adjustments, which are based on historical data, have not fully incorporated new seasonal patterns arising from the recent installation of an electric furnace in the Bethlehem Steel plant. Therefore, first quarter's index may have been overadjusted for seasonal variation.

Total resident employment was up a seasonally adjusted 0.8 percent in the first quarter. This increase, together with a decline in the civilian labor force, brought the seasonally adjusted jobless rate down 1.7 percentage points to 12.1 percent — its lowest level in five years.

Although joblessness remained at critical levels in Johnstown, the area is making progress, and businesses are investing in the area's future. The value of awards for commercial and industrial building construction more than doubled from levels one quarter and one year earlier.

Pittsburgh-Beaver Valley

The manufacturing base of the Pittsburgh-Beaver Valley metropolitan area continued to contract in the first quarter, dampening overall economic growth.

Beaver County and the four-county Pittsburgh region were the only major metropolitan areas in the state with fewer nonfarm industry jobs in the first quarter of this year than in the same quarter of last year. In Beaver County, the total nonfarm industry job level was down 2 percent from the first quarter of 1984 while the more diversified Pittsburgh area saw a slight 0.2 percent decline over the year.

The seasonally adjusted factory job levels in both PMSAs fell to new lows last quarter. In Beaver County, the number of workers on factory payrolls was only 41.1 percent of the average prevailing in 1979, and in Pittsburgh, the number was 62.5 percent of the 1979 average.

Factory workers also worked fewer hours in the first quarter. The average length of the factory workweek fell 0.2 of an hour in Beaver County and 0.9 of an hour in Pittsburgh. The shortened workweek suggests that factory employment will not improve in the second quarter because employers typically work current employees longer for production increases before hiring back laid-off workers.

First-quarter gains in nonmanufacturing employment were modest. The seasonally adjusted job level in these industries rose 0.4 percent in Pittsburgh and was 1.7 percent above the level in the first quarter of 1984. While Beaver County had a 1 percent increase in the seasonally adjusted number of nonmanufacturing jobs last quarter, the job level was only 0.5 percent above the year-ago level.

With the introduction of Beaver County as a separate metropolitan area, Johnstown gained a rival for the distinction of having the highest jobless rate among the state's metropolitan areas. A less than seasonal decline in the civilian labor force and a more than seasonal rise in the number of residents counted as unemployed brought Beaver County's seasonally adjusted unemployment rate up to 13.1 percent, usurping Johnstown's 12.1 percent rate for the distinction.

On the other hand, the four-county Pittsburgh area's seasonally adjusted unemployment rate fell to 9.5 percent — the first single-digit rate since the fourth quarter of 1981.

Sales of electricity to industrial users also reflected the contraction in manufacturing activity. Although the seasonally adjusted level of sales was essentially unchanged from the level of the previous quarter in the CMSA, it was down more than 13 percent from the first-quarter level of 1984.

The value of awards for contract construction work in the area showed construction activity falling off. Both residential and nonresidential building awards were down in value from levels in the first and fourth quarters of 1984.

State College

Economic indicators continued to show a healthy, growing economy in the State College metropolitan area last quarter. Total resident employment rose to a new

Pittsburgh-Beaver Valley Area[1]

	Ave. mo. value 1 Q.'85	Average monthly index seas. adj. (1977 = 100) 1 Q.'85	4 Q.'84	1 Q.'84
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	837.3	100.	99.	99.
Beaver County	66.3	75.	74.	75.
Unemployed, no. of residents				
Pittsburgh[1]	100.1	145.	161.	175.
Beaver County	10.1	156.	144.	186.
Unemployment Rate, seas. adj.				
Pittsburgh[1]	9.5			
Beaver County	13.1			
Civilian labor force, no. of residents				
Pittsburgh[1]	937.3	103.	103.	104.
Beaver County	76.5	80.	79.	83.
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs				
Pittsburgh[1]	819.9	96.	96.	96.
Beaver County	54.4	72.	72.	73.
Nonmfg. only, no. of jobs				
Pittsburgh[1]	681.0	107.	106.	105.
Beaver County	38.2	102.	101.	102.
Mfg. only, no. of jobs				
Pittsburgh[1]	138.5	64.	65.	70.
Beaver County	16.2	42.	43.	45.
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	40.1	n.a.	n.a.	n.a.
Beaver County	40.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	71.	70.	80.

Construction contracts awarded *(in millions of dollars)*	Total 1 Q.'85	Percentage Change Quarter Ago	Year Ago
Residential contracts only			
Pittsburgh[1]	67.9	– 28.	– 15.
Beaver County	4.2	– 11.	– 26.
Nonresidential contracts only			
Pittsburgh[1]	109.1	– 23.	– 8.
Beaver County	1.1	– 71.	– 72.

[1]Allegheny, Fayette, Washington and Westmoreland Counties

seasonally adjusted high while the jobless rate fell to 7.4 percent — its lowest level in three and a half years.

Job gains were concentrated in nonmanufacturing industries. The seasonally adjusted job level in this sector rose 1 percent from the previous quarter to a new high and was 5.3 percent above the high of a year ago.

Employment in Centre County's manufacturing industries has leveled off for the time being. The seasonally adjusted factory job level was essentially unchanged for the third consecutive quarter but was up 2.6 percent from the level registered one year earlier.

Seasonally adjusted sales of electricity to industrial users, a measure of short-run changes in industrial output, remained strong in the first quarter but were down slightly from record levels registered in the middle two quarters of 1984.

No end to the area's construction boom was seen in the first-quarter figures. The value of construction contracts for residential buildings awarded last quarter was 42 percent ahead of the value in the same quarter of last year while contracts for nonresidential buildings rose 37 percent in value.

— Norma I. Gavin

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '85	*1 Q '85*	*4 Q '84*	*1 Q '84*
Employment *(in thousands)*				
Employed, no. of residents	49.1	121	121	114
Unemployed, no. of residents	4.5	153	156	158
Rate, seasonally adjusted	7.4			
Civilian labor force, no. of residents	53.6	123	123	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salaried jobs	49.1	122	121	117
Nonmfg. only, no. of jobs	41.2	122	121	116
Mfg. only, no. of jobs	8.0	124	124	122
Industrial electric power sales	***	103	101	103

Construction contracts awarded *(in millions of dollars)*	Total *1 Q '85*	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	13.6	+ 77	+ 42
Nonresidential contracts only	5.6	– 75	+ 37

[1]Centre County

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